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CALIFORNIA UNCLAIMED PROPERTY REFORMS Additional Reforms Beyond SB 86

Controller John Chiang believes the passage of SB 86 is essential to restoring basic protections for property owners. The Controller believes more can be done, and will be pursuing these additional reforms:

Lengthening the Escheatment Period

Current law generally provides that most lost or abandoned property escheat to the state after three years of inactivity. To provide more time for owners to notify holders of their intent to maintain their accounts, while balancing the impact of holder fees on account values, the Controller seeks to extend the escheatment period beyond the statutory three years.

Expediting the Processing of Claims

Existing law allows the Controller's Office 180 days to review and make a determination on property claims. The Controller seeks to cut that time in half.

Notifications with New Accounts

The Controller seeks to require financial institutions, at the time a customer rents a safe deposit box or opens an account, to notify the customer that their property may be subject to escheatment to the State.

Protections for Safe Deposit Box Items

The Controller has administratively opted to hold onto property for at least 18 months. This is included in the 2007-08 Budget trailer bill, SB 86.

Additionally, the Controller seeks to require that financial institutions not transfer safe deposit boxes if there is other property held by that institution that is not currently subject to escheatment.

Interest Paid on Property Claims

Since 2003, the law has prohibited the State from paying interest on property claims paid to the owner. The Controller proposes to establish an interest rate of 5% or the

annual yield of the Pooled Money Investment Account for the prior fiscal year, whichever is lower, for all claims paid after the effective date of the bill.

Requirements of Property Holders

Current law relieves holders of property of all liability once unclaimed property is transferred to the State. The Controller will pursue provisions clarifying that in order to be relieved of liability for sending property to the Controller, banks, utilities and other holders who escheat property to the state must comply with all Unclaimed Property statutes that require them to make a good-faith effort to notify owners that they have their property. Holders must also comply with provisions requiring them to retain the property for the requisite period before turning it over to the State.

Holder Penalties

Existing law requires fines of \$100 per day for holders who fail to file required notices or comply with the Unclaimed Property Law. The Controller will pursue provisions that provide civil penalties for holders who violate the Unclaimed Property Law of \$200 per day, up to \$10,000. The Controller may waive these penalties for good cause.

Existing law provides fines for holders who willfully refuse to report, pay, or deliver escheated property to the Controller's Office or willfully violate the Unclaimed Property Law of not less than \$5,000 and not more than \$50,000. The Controller wants to provide civil penalties for willfully failing to comply with the law in the amount of \$1,000 for each day the holder violates the law, up to a maximum of \$25,000, plus 25% of the value of the property.

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